



City of Santa Barbara
Airport Department

Memorandum

DATE: February 17, 2010
TO: Airport Commission
FROM: Karen Ramsdell, Airport Director
SUBJECT: Fiscal Year 2010 Mid-Year Review

RECOMMENDATION: That Airport Commission receive a report on the Airport Department's Fiscal Year 2010 Mid-Year Review.

Background

A comprehensive analysis of revenues and expenditures from July 1 through December 31, 2009 has been completed on the Airport's various funds. The operating fund, 441, reflects revenues 5.1% greater than budget, and expenditures -10.7% below target.

The depressed economy is reflected in the aviation industry. The FY 2010 budget was prepared with projected 8.5% decrease in passenger traffic. During this period, the airlines continued to reduce capacity, number of seats available, however, the percentage of seats occupied in the second half of 2009, 69.2%, exceeded the same period in 2008, 68.1%.

Aircraft operations (a take-off and landing) are up 7.7% in 2009 over the same period in 2008 primarily due to the hydro-mulching operation this fall. Commercial/industrial rentals are on target, and Airline Terminal revenues are meeting or exceeding budget targets.

FUND 441

Revenues

Total Airport Department revenues through the first six months of the fiscal year are **\$6,538,112** or 5.1% (\$317,773) over budget. Revenues for this period are -0.3% below the same period in 2009.

In anticipation of the impact that the 2008 economic crisis would have on small business, the Airport's niche market, Fiscal Year 2010 revenue projections for

Commercial and industrial lease revenue were decreased by 8% from 2009 actual revenue. While there have been numerous changes in leased properties, at mid-year, **Commercial/Industrial** revenue is **8.2% above target at \$2,107,130**.

Non-Commercial Aviation revenue is 5% above mid-year target at \$582,909. This line item includes the rental received from the Fixed Base Operators, air freight operators, Ampersand, and other general aviation users. Also included in this category is the Transportation Security Administration's lease space in a building adjacent to the airline terminal. Although corporate jet activity and general aviation traffic is still below prior year levels, operations are inching upwards.

The **Airline Terminal** revenues, \$2,505,575, are 4% above budget targets. Passenger traffic during this period is down -6.7% and -9.2% for the calendar year. Adjustments were made in the Fiscal Year 2010 budget to accommodate the projected decrease in passenger traffic; additionally the relocation of the gift shop to the central lobby of the Airline Terminal has increased these revenues by 36.4%.

Commercial Aviation revenue includes Airline Terminal building rental and landing fees for the commercial airlines and airfreight. Overall revenue is \$1,095,287 or 3.6% above target. The Airline Terminal annual square footage rental rate and landing fees were held at the same level as the prior year.

Other revenue is below budget due to delays in reimbursements from the **Transportation Security Administration** for payment of security checkpoint costs, but it is anticipated that all reimbursements will be received by year end.

Expenditures

Overall Departmental operating expenses of **\$5,352,745** are \$572,234 (10.7%) below budget.

Salaries and Benefits are 4.7% below budget with vacant positions in Patrol. Patrol vacancies are being covered with overtime and hourly employees. Also, salaries for administrative and maintenance staff has been reduced by the 6% furlough savings.

The Airport tracks **Supplies and Services** in four categories: overall supplies and services, ARFF, Engineering reimbursement, and Allocated costs. A variance of 26.7% is found for overall supplies and services. During the second half of the year more maintenance and airfield projects will be completed bringing this line item close to target. It is anticipated that **ARFF, Engineering and Allocated Costs** will remain within the budgeted amounts.

The expenses for the parking shuttle operation managed by AMPCO, the parking management company, were placed in the **Special Projects** line item so that costs

could be monitored. The total year-to-date amount of \$213,146 is for five months of expenses. When the December expenses are included in the actual expenditures this line item should be slightly below target. Automated parking equipment has been installed in all parking lots and during the next six months a reduction in employee costs will be shown in this line item.

Summary

The Airport Department's operating budget is on target and no adjustments are anticipated for the remainder of the year.

FUND 442

No changes are needed in the Airport Capital Fund.

FUND 443

Congress has not passed a multi-year FAA reauthorization legislation; however, with the most recent extension for Federal Fiscal Year 2010 to March, the Airport will be receiving a partial Airport Improvement Program (AIP) grant within the two months. This grant will be used for the Airline Terminal Improvement Project and staff will prepare a Council agenda report to adjust appropriations upon receipt.

FUND 444

On December 22, 2009, FAA approved Passenger Facility Charge application number 09-07-C-00-SBA in the amount of \$19,945,000. Revenues collected from this application will be used to pay bond debt service for the Airline Terminal Improvement Project. Funds collected in excess of PFC Application Number 6 will be transferred to the recently approved application.

FUND 445

Customer Facility Charge revenue is slightly below budget (46.7%). Rental car activity is directly tied to passenger traffic and the economy. During the last six months the number of contracts issued by the rental car companies has decreased 8.5% from the same period last year.

FUND 446

There have been vacancies in the Airport operated T-hangars during the last six to eight months. A new lottery was held in November, and effective February 1, 2010 all of the 24 T-hangars will be leased. Due to the vacancies, however, rental revenues fell below target. The Airport Operating Fund will be required to provide additional subsidy for this program when debt service payment is made in May 2010.

CITY OF SANTA BARBARA
Airport Operating Fund
Financial Report
For Month Ended 12/31/09 (50% of Fiscal Year)

	Actual	Adopted	Adopted	Adopted	Current Y-T-D		
		Budget	Budget with Carry Forwards	Budget with Carry Forwards	6 mos.	\$	%
Operating Revenue	2009	2010	2010	2010-50% of Fiscal Year	Actual	Variance	Variance
Leases							
Commercial & Industrial	\$ 4,225,643	\$ 3,893,750	\$ 3,893,750	\$ 1,946,875	\$ 2,107,130	\$ 160,255	8.2%
Non-Commercial Aviation	1,217,795	1,110,675	1,110,675	\$ 555,338	582,909	\$ 27,572	5.0%
Terminal							
Rental Cars	1,908,093	1,966,050	1,966,050	\$ 983,025	1,047,511	64,486	6.6%
Parking	2,681,217	2,750,000	2,750,000	\$ 1,375,000	1,388,364	13,364	1.0%
Concessions	119,721	102,200	102,200	\$ 51,100	69,700	18,600	36.4%
Terminal sub-total	\$ 4,709,031.00	\$ 4,818,250	\$ 4,818,250	\$ 2,409,125	\$ 2,505,575	\$ 96,450	4.00%
Commercial Aviation							
Building	1,130,906	1,211,851	1,211,851	605,926	559,536	(46,390)	-7.7%
Landing Fees	993,767	866,500	866,500	433,250	519,650	86,400	19.9%
Landing Fees (Freight/Charter)	47,545	35,100	35,100	17,550	16,101	(1,449)	-8.3%
Commercial aviation sub-total	2,172,218	2,113,451	2,113,451	1,056,726	1,095,287	38,562	3.6%
Total Leases	\$ 12,324,687.00	\$ 11,936,126	\$ 11,936,126	\$ 5,968,063	\$ 6,290,901	\$ 322,838	5.41%
Other							
Interest Income	488,458	310,000	310,000	155,000	167,195	12,195	7.9%
TSA Reimbursement	162,838	163,052	163,052	81,526	55,025	(26,501)	-32.5%
Other	58,719	31,500	31,500	15,750	24,991	9,241	58.7%
Other sub-total	710,016	504,552	504,552	252,276	247,211	(5,065)	-2.01%
Total Operating Revenue	\$ 13,034,703	\$ 12,440,678	\$ 12,440,678	\$ 6,220,339	\$ 6,538,112	\$ 317,773	5.1%
Operating Expenses							
Salaries & Benefits	\$ 4,654,810	\$ 4,904,411	4,904,411	2,452,206	\$ 2,343,227	\$ (108,979)	-4.7%
Furlough Savings		\$ (123,465)	(123,465)	(61,733)	\$ (58,205)	\$ 3,528	-6.1%
Supplies & Services (1)	3,029,122	2,572,745	2,916,809	1,458,405	1,151,128	\$ (307,277)	-26.7%
ARFF	1,616,556	1,719,509	1,719,509	859,755	859,755	\$ 1	0.0%
Engineering	361,509	345,282	345,282	172,641	170,561	\$ (2,080)	-1.2%
Special Project (2)	582,234	742,838	742,838	371,419	213,146	\$ (158,273)	-74.3%
Equipment	102,837	34,212	34,212	17,106	17,920	\$ 814	4.5%
Allocated Costs	1,520,966	1,310,362	1,310,362	655,181	655,213	\$ 32	0.0%
Total Operating Expenses	\$ 11,868,034	\$ 11,505,894	\$ 11,849,958	5,924,979	\$ 5,352,745	\$ (572,234)	-10.7%
Net operating gain / (loss)	\$ 1,166,669	\$ 934,784	\$ 590,720	\$ 295,360	\$ 1,185,367	\$ 890,007	

Notes:

AOA Badging income included under Other

